

Financial Accounting

Module 1, 2019/2020

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Course description

The aim of this course is to provide understanding of the broad principles that govern the use of financial accounting, of the fundamental accounting concepts and of the ways in which they are interlinked. Upon completing the course students should be able to understand accounting information, analyze it and draw conclusions for relevant economic and business decisions.

Course requirements, grading, and attendance policies

Students will complete two home assignments during the course. Students will form teams of **three** to work on home assignments. All team members will receive the same grade for the submitted assignments. Students **are** allowed to use any resources that may help them (e.g. lecture notes, textbooks, internet), but they **are not** allowed to consult their work with anyone else outside of their team. In addition, all students in the team should understand the solutions they submit.

Submission deadlines will be specified in the instructions to the assignments. Penalty of -2 point per day will be applied for late submissions. The whole solution must be contained in only one document (preferably MS Word). Solutions to home assignments should be e-mailed to the teaching assistant leading the seminars. Both the e-mail message and the attached document should be labeled with the team number and the names, e.g. "Krutov, Larionov, Makarov – HA 1".

Final Examination

The final examination will consist of two parts. Part 1 will comprise multiple choice questions with one correct answer each. Part 2 will contain open-ended questions that will test deeper understanding of the topics covered in the course. Students will be asked to perform calculations and provide verbal answers that explain their way of reasoning. Points will be awarded for well structured and focused answers. Sample exam questions will be provided during the course.

Grading

The final grade will be determined by to total points collected for the home assignments and at the final examination. The maximum amount of points available for each of these components is as follows:

home assignment 1	20 pts
home assignment 2	20 pts
final examination	60 pts
total	100 pts
bonus points	10 pts

To pass the course students have to receive at least 30 points out 60 at the final written examination. Students who will not meet this condition will automatically fail the course. After that all the points will be added to determine the total score based on which the grades will be allocated. Cut-offs for the individual grades will be distributed evenly between 100 and 55 points.

In addition to the regular score from the home assignments and the final examination students may receive up to 10 bonus points primarily for their active participation in the lectures. These points will be added to the overall score after the 30-point passing benchmark is met, i.e. bonus points cannot be used to meet the passing benchmark but as soon as the benchmark is passed, they will affect the final grade.

Course contents

The content of individual lecture below is tentative, possible changes can be made based on the agreement with the students.

- 1. Accounting Framework**
key concepts, financial statements, balance sheet
- 2. Accounting Cycle**
income statement, revenues, expenses, earnings
- 3. Current Assets**
inventories, accounts receivable
- 4. Fixed & Intangible Assets**
fixed assets, depreciation, intangible assets, goodwill, leasing
- 5. Debt & Financial Assets**
corporate bonds, investment in debt & equity securities, minority interest
- 6. Cash Flow**
cash flow statement, accruals
- 7. Earnings vs. Cash Flows**
performance measurement, earnings management, earnings vs. cash flows

Course materials

It is in fact quite challenging to find a good textbook in accounting suitable for this course. As a core textbook we will use Harrison, Horngren (2008) who provide a concise exposition of key accounting principles that are most relevant for the course. For a good alternative you may check Stickney, Weil (2003). Easton, Wild, Halsey, McAnally (2007) cover the intermediate accounting issues in an approachable way and they are recommended for students as background reading. For a greater level of detail you may refer to White, Sondhi, Fried (2003) who provide in-depth analysis of accounting methods including advanced issues.

Core

Harrison, W.T., Horngren, C.T. (2008) *Financial Accounting*, 7th ed. (Prentice Hall)

Supplementary

Stickney, C. P., Weil, R. L. (2003) *Financial Accounting – An Introduction to Concepts, Methods and Uses*. (Thomson, Mason, Ohio).

Easton, P., J. Wild, R. Halsey, M. McAnally (2007) *Financial Accounting for MBAs*. Third Edition. (Cambridge Business Publishers).

White, G. I., A. C. Sondhi, D. Fried (2003). *The Analysis and Use of Financial Statements* (Wiley, New York ; Chichester).

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.